



State of Tennessee

Justin P. Wilson, State Comptroller

For Immediate Release: Oct. 15, 2012

Former Upper Cumberland Development District Executive Director Used Public Funds to Support a Lavish Lifestyle

The Upper Cumberland Development District's (UCDD) former executive director Wendy Askins called an independent living facility for seniors "one of the sweetest projects in the history of [her] career." However, only a small handful of seniors lived in the facility after it was completed. And their accommodations were significantly less luxurious than those Askins and her daughter enjoyed after they moved into the publicly-funded facility's main living quarters.

A report released today by the State Comptroller's Division of Investigations identified numerous UCDD transactions that did not appear to serve a public or governmental purpose. The report concluded that the volume and type of inappropriate transactions identified indicates that the UCDD board of directors failed to uphold its duty to follow sound business and accounting practices, to ensure that all disbursements were appropriate, and to act in the best interests of the district and its goals.

Development districts are created to promote economic growth and development and to serve those in need within each district's boundaries. The vast majority of funding for the Upper Cumberland Development District and its programs comes from taxpayer dollars from state and federal government.

The Living the Dream Project was designed and planned by Askins while she served as executive director of the UCDD. The Comptroller's investigators questioned numerous transactions Askins ordered which did not appear to be in the development district's best interests. The investigators pursued a trail of improper spending on a project that appeared to primarily benefit Askins and certain members of her family.

Askins personally selected tens of thousands of dollars in upgrades for the main area of the home which she and her daughter occupied by themselves. Askins paid more than \$6,000 for steam showers for both her and her daughter's bathrooms, more than \$1,500 for a double-sided fireplace in the home's main living area, nearly \$1,000 for a fireplace in her own master bedroom, and more than \$7,000 for decorative fountains. Askins also spent more than \$25,000 on a curved staircase for the home which led to her daughter's upstairs living area.

By last February, the project had a price tag of nearly \$1.4 million, the Comptroller's report revealed.

Among the many unnecessary purchases for the Living the Dream home, Askins and various family members received more than \$24,000 in direct personal benefits from transactions she orchestrated with the development district. Askins used nearly \$10,000 in district funds to purchase used furniture, televisions and exercise equipment from herself for use in her Living the Dream home and more than \$14,000 to purchase other used furniture and items from her immediate family. She also submitted a false reimbursement request and received nearly \$3,000 from UCDD for catering expenses related to a political campaign event not associated with the development district. Additionally, Askins reimbursed herself \$1,229 for other personal expenses such as fuel for her personal out-of-state travel and her personal credit card fees.

In 2011, Askins spent \$2,000 in UCDD funds to purchase a 3-D capable computer and \$99 for 3-D glasses, and incurred over \$600 in costs for ring-back tones, premium texts and music downloads on her district cell phone, according to investigators.

The Comptroller's report further details that at its 2010 annual meeting, the UCDD treated board members and approximately 80 other guests to food and entertainment at a local winery. This meeting alone cost the agency more than \$6,200 and appear to further no public or governmental purposes.

Investigators attribute the magnitude of such waste and abuse to the fact that Askins and her deputy director had unfettered discretion to spend public funds on a far-too-wide range of items and that board members were not providing adequate oversight to protect the public's interests.

"Even though the board may not be directly to blame for such rampant misuses of public funds, it was inherent in their fiduciary responsibilities to supervise Wendy Askins, the Living the Dream project, and to ensure that all development district funds were spent entirely for the benefit of those who are served by the district," said L. Rene Brison, Assistant Director of Investigations for the Comptroller's office.

"These types of abuses of the public trust are likely to outrage many citizens who live within the Upper Cumberland Development District boundaries – and rightfully so," Comptroller Justin P. Wilson said. "Every public dollar that's spent for the personal benefit of a government official is one less dollar that can be spent to benefit the people who need government services. I hope and trust that the Upper Cumberland Development District will put safeguards in place to guard against this type of waste and abuse in the future."

To view the full report online, go to:
<http://www.comptroller.tn.gov/repository/ia/20121015UCCDAudit.pdf>

To view photos of the contrasting accommodations of the UCDD's executive director and the senior citizens who lived in the Living the Dream facility, go to:
<http://www.comptroller.tn.gov/repository/NR/20121015TheLivingTheDreamProject.pdf>

INVESTIGATIVE AUDIT REPORT

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
JANUARY 1, 2010, THROUGH DECEMBER 31, 2011**



State of Tennessee

**Comptroller of the Treasury
Department of Audit
Division of Investigations**



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS**

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Comptroller of the Treasury

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October 15, 2012

Executive Director and Members of the
Board of Directors
Upper Cumberland Development District
1225 South Willow Avenue
Cookeville, TN 38506

Ladies and Gentlemen:

The Division of Investigations conducted an investigative audit of the Upper Cumberland Development District which focused on the period January 1, 2010, through December 31, 2011. However, when warranted, this scope was expanded.

Presented in this report are the findings resulting from this investigative audit. Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at http://www.comptroller.tn.gov/RA_MA_Financial/InvestigativeReports.aspx.

Sincerely,

L. Rene Brison, CPA, CFE, Assistant Director
Division of Investigations

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**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE
UPPER CUMBERLAND DEVELOPMENT DISTRICT
FOR THE PERIOD JANUARY 1, 2010, THROUGH DECEMBER 31, 2011**

CASE SUMMARY

The Comptroller's Division of Investigations performed an investigative audit of selected records of the Upper Cumberland Development District (UCDD). The audit focused primarily on the period January 1, 2010, through December 31, 2011; however, when warranted, the scope was expanded. The investigation revealed the following:

- The former executive director falsified records to obtain reimbursement totaling \$2,824 for a political campaign event not related to UCDD
- The former executive director used UCDD funds to reimburse herself at least \$1,229 for personal expenses
- The former executive director authorized the alteration of minutes to indicate board authorization of a transaction for which no such authorization was obtained
- The former executive director paid herself at least \$9,569 for used furniture and other personal property and also paid family members for second-hand personal property, ostensibly purchased on behalf of UCDD
- The former executive director made numerous additional purchases that did not appear to benefit UCDD or the applicable component entity
- The UCDD board of directors failed to exercise adequate oversight of reimbursements to the former executive director which totaled over \$144,000 in a 30-month period
- The former executive director deposited a donation specifically intended for the Meals on Wheels program into the Living the Dream project bank account
- In April 2010 the former executive director made a \$285,000 payment from the UCDD to the Living the Dream project without prior UCDD board approval
- UCDD vehicles were not properly marked or identified as government-owned and were used by management and staff for personal benefit
- UCDD funds were used for expensive meals, alcoholic beverages, and other luxury items that did not appear to further governmental or public purposes

- UCDD funds were used for nonessential cell phone charges, including premium texting and music downloads
- UCDD files contained inadequate documentation to determine an agency purpose for numerous charges to the agency credit card
- Preferential treatment was given to Living the Dream residents and a private company owned by former executive director

BACKGROUND

Taxpayer Funding for Public and Governmental Purposes

Development districts are governmental entities specifically created under state statutes as a matter of public necessity for public and governmental purposes. As such, UCDD derives the vast majority of its funding from taxpayer dollars flowing from the state and federal governments. Accordingly, all funds should be spent in furtherance of the district's public objective.

As noted in the Investigative Findings section of this report, Comptroller investigators identified numerous UCDD transactions that did not appear to serve a public or governmental purpose. The volume and type of inappropriate transactions identified indicates that the UCDD board of directors failed to uphold their fiduciary responsibility to require strict adherence to sound business and accounting practices, and to ensure that disbursements were appropriate. As a result, some public resources received by UCDD were not available to fund the public and governmental purposes for which UCDD was created.

Component Entities

The investigative audit included a review of selected records of several component entities that the former executive director, Wendy Askins, described as "umbrella" organizations. These component entities included:

- Cumberland Regional Development Corporation (CRDC) – had oversight of housing and the federal Department of Housing and Urban Development activities
- Cumberland Area Investment Corporation (CAIC) – operated the business loan program
- Living the Dream, Inc., project. (LTD) – an independent living project for certain elderly individuals

Although these were separately incorporated entities, the related boards of directors primarily consisted of selected board members and upper management employees of UCDD. These component units also shared organizational goals, office space, and operational employees with UCDD.

Each component entity's board of directors had a duty to act in the best interest of that organization and its goals. Section 48-58-403, *Tennessee Code Annotated*, outlines standards of conduct for officers and directors of not-for-profit corporations in Tennessee. This section requires officers and directors to discharge their duties in good faith, with the care an ordinarily prudent person would take in similar circumstances, and in a manner the individual reasonably believes to be in the best interest of the organization. The board members failed to uphold this fiduciary responsibility, allowing UCDD's former executive director and former deputy director to manage, either directly or indirectly, the daily operations of all the component entities, with virtually no board supervision. As noted in the Investigative Findings section of this report, Comptroller investigators questioned numerous transactions, personally championed by Ms. Askins, which did not appear to be in the respective organization's best interest. For example, the Living the Dream project, which Ms. Askins stated was her pet project, received cash funding from the UCDD, the CRDC and the CAIC. Without this initial cash infusion and continued subsidies, the Living the Dream project would not have been a sustainable project. Also, in April 2011, Ms. Askins pledged assets of UCDD to secure a line of credit for CRDC.

Had Ms. Askins not had operational control over these component entities, their respective boards, acting in their fiduciary capacity in the best interest of their organization, may have made different decisions regarding these subsidies.

Living the Dream Project

Living the Dream, Inc. was publicized as an independent living project for seniors. This project, into which nearly \$1.4 million had been channeled as of February 2012, was funded and subsidized with public resources, over which the former executive director and her former deputy director had essentially unfettered control. The project had virtually no specific operational policies and procedures with which to evaluate appropriateness of transactions and the necessity of board authorization. Due to the lack of reasonable and justifiable policies,

Exhibit 1



procedures, and practices, Comptroller investigators performed analyses based on original restrictions of funds transferred to the LTD project from UCDD and other component entities. It should be noted that as of February 2012, both Ms. Askins and her daughter lived in the main residence. **[Exhibit 1]** Neither Ms. Askins nor her daughter paid rent.

As of February 29, 2012, four senior residents lived in an attached residential wing. **[Exhibit 2]**

Exhibit 2



District Records

For purposes of this report, generally the term “district records” includes records from UCDD, as well as any of the umbrella organizations, unless specifically stated otherwise.

INVESTIGATIVE FINDINGS

Presented below are the findings resulting from this investigative audit. These matters were referred to the district attorney general pro tem and the state attorney general's office.

1. **FINDING: Former executive director submitted false information to obtain reimbursement for a political campaign event**

The former executive director submitted a false reimbursement request and received \$2,824 from Upper Cumberland Development District (UCDD) for catering expenses related to a political campaign event not associated with the development district. UCDD records showed that on November 23, 2009, Ms. Askins requested and received reimbursement for catering costs totaling \$2,824. Ms. Askins stated in her reimbursement request that the expense was for co-sponsorship of a "youth event." Comptroller investigators determined that the event was actually a campaign function held on November 19, 2009, for a former state representative.

Ms. Askins told Comptroller investigators that she had planned the event and picked out the menu. However, the caterer stated that her only contact with Ms. Askins was when Ms. Askins delivered a personal check to pay for the event. E-mails between the caterer and the representative's staff verified the event was planned by campaign staff, and the contract for catering services was signed by a campaign assistant. The representative told Comptroller investigators that he knew that Ms. Askins had paid for the event, but was shocked to learn that she had requested and received reimbursement from UCDD.

2. **FINDING: Former executive director claimed and received reimbursement totaling at least \$1,229 for personal purchases**

District records indicated that Ms. Askins requested and received UCDD checks payable to her for personal expenses totaling at least \$1,229. These expenses included fuel for Ms. Askins' personal out-of-state travel, as well as the annual fee for her personal credit card. After discussions with Comptroller investigators, Ms. Askins refunded UCDD for these improper payments.

3. **FINDING: Alteration of minutes**

Written minutes of a UCDD board of directors' meeting prepared subsequent to the meeting were not consistent with the audio tape recording of the meeting relative to approval of a transfer to the Living the Dream (LTD) project. On March 24, 2010, Ms. Askins transferred \$300,000 from UCDD to the Cumberland Regional Development Corporation (CRDC), which in turn transferred \$285,000 to the LTD project. Written minutes included discussion and approval of this transfer to LTD; however, the audio tape of the actual meeting included no such discussion or approval. Ms. Askins told Comptroller investigators that the former deputy director had changed the minutes

without her knowledge and that when discovered, she had reprimanded him. However, the former deputy director told Comptroller investigators that Ms. Askins had prepared a handwritten note instructing another staff member to alter the minutes. The staff member that typed the minutes recalled that in September 2011, she was provided written instructions from Wendy Askins of what to add to the minutes for the February 2010 meeting.

4. **FINDING: Potential conflict of interest**

The investigation revealed that Ms. Askins paid herself at least \$9,569 from LTD project funds for her own personal property, including furniture, a television, and exercise equipment. Although the property was not new, Ms. Askins paid herself the same amount she paid for the items when new. Ms. Askins told Comptroller investigators that some of the items were “as good as new,” so she believed it was proper to pay herself the original price.

District records also indicated that Ms. Askins used LTD project funds and CRDC funds totaling at least \$14,800 to purchase personal property, including furniture and a mower, from various family members. The purchases of used furniture and equipment from Ms. Askins and her family members are listed below:

Date	Payee	Relationship to Wendy Askins	Amount	Note
05/21/2008	Anna Askins	Daughter	\$ 1,950.00	Cherry entertainment center, TV, and VCR
10/16/2009	Barbara Blair	Mother	5,300.00	Bedroom suite, dinette set, desk
12/10/2009	Charles Blair	Father	2,200.00	Big screen TV, Fireplace insert
07/28/2010	Wendy Askins	Self	9,569.45	Nordic track, furniture, TV
08/23/2010	Chad Blair	Step Brother	3,500.00	RTX2 Mower
11/29/2010	Anna Askins	Daughter	<u>1,850.00</u>	**no invoice on file**
			<u>\$24,369.45</u>	

These purchases did not appear to have been in the best interest of the organization. For example, according to district records, the furniture purchased from Ms. Askins’ mother in October 2009 was intended for the Mt. Vernon project¹, a planned assisted living facility. The real estate for that project was not purchased until April 2010 and construction had not begun as of July 2012. The check payable to Ms. Askins’ mother was endorsed on the back by Ms. Askins.

The *Upper Cumberland Development District Personnel Procedures Manual*, page 24, states:

¹ The Mount Vernon project was a \$4.8 million proposed assisted living residence project of the UCDD in Livingston, Tennessee.

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest.... An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of UCDD's business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES **FINDINGS AND RECOMMENDATIONS**

Presented below are findings and recommendations related to internal control and compliance deficiencies noted during the investigative audit. As noted previously, the volume and type of inappropriate transactions identified indicates that the Upper Cumberland Development District's (UCDD) board of directors failed to uphold their fiduciary responsibility to require strict adherence to sound business and accounting practices, and to ensure that disbursements were appropriate. These findings and recommendations have been reviewed with appropriate UCDD officials. The officials indicated that corrective action has been initiated for many of the deficiencies.

1. **FINDING:** **Questionable transactions authorized by Ms. Askins did not appear to benefit the respective component entity**

The investigation revealed that Ms. Askins authorized several purchases and other transactions that did not appear to benefit the respective component entity from which she authorized funds to be used. These transactions include the following:

- In August 2010, the Living the Dream (LTD) project purchased a zero-turn mower from Ms. Askins' step brother, Chad Blair, for \$3,500. Mr. Blair was employed by UCDD as a maintenance worker and one of his primary assignments was to mow property owned by UCDD and the component entities. Less than eight months later, on April 15, 2011, Ms. Askins signed a Cumberland Regional Development Corporation (CRDC) check in the amount of \$5,288, ostensibly to purchase the mower from LTD. Less than one month after that transaction, major repair work was performed on the mower, including the installation of a replacement motor, at a cost to CRDC of \$2,405. The vendor that did the repair told Comptroller investigators that the mower "had been having a lot of trouble," and the vendor's mechanic had advised Chad Blair that the mower needed a replacement motor in order to avoid continued repair work. The transaction appeared to benefit the LTD project, which, as noted, sold a used mower for \$1,788 more than was paid, even though it needed major repair work. The transaction did not appear to benefit the CRDC, which, according to the acting housing director, already had two mowers and did not need another one.

- LTD purchased and installed two deluxe steam showers, one for the master bedroom where Ms. Askins lived², and one for the loft apartment where Ms. Askins' daughter lived³, at a total cost of \$6,280. **[Exhibit 3]**

Exhibit 3



- The living quarters of the paying senior residents in the Living the Dream home included the type of shower shown below. **[Exhibits 4 and 5]**

Exhibit 4



Exhibit 5



² The address on Ms. Askins' driver's license was that of the Living the Dream residence.

³ The address on Ms. Askins' daughter's driver's license was that of the Living the Dream residence.

- Ms. Askins purchased two ornamental fountains. In February 2011, Ms. Askins used UCDD funds to purchase a fountain at a cost of \$2,354, and ordered that it be installed at the Living the Dream home. **[Exhibit 6]** In November 2011 the district ordered a second decorative fountain that eventually cost \$5,150. The second fountain was paid for with funds set aside for the Mount Vernon project. Ms. Askins insisted to Comptroller investigators that this fountain was purchased for the Mount Vernon project, however according to her former deputy director, Ms. Askins had planned to have two fountains at the Living the Dream project – one on the front drive and one in the back courtyard area. Also, the delivery address provided to the vendor was that of the Living the Dream home. Comptroller investigators also located e-mail communication with the vendor that indicated Ms. Askins attempted to cancel the order because “it was taking too long to complete.” As noted above, the Mount Vernon project had not started construction as of July 2012. This fountain is currently being held in storage.



- Ms. Askins purchased a double-sided electric fireplace at a cost of \$1,599 for the Living the Dream home. **[Exhibit 7]** She also used UCDD funds to purchase a wall-mounted fireplace costing \$899 and ordered it to be installed in the master bedroom that she occupied at the home. **[Exhibit 8]**

Exhibit 7**Exhibit 8**

- Ms. Askins signed a UCDD check to purchase a double curving staircase at a cost of \$25,512, which was installed at the home. [Exhibit 9] Ms. Askins told Comptroller investigators that district personnel had completed a study that indicated these were the best kind of stairs for the tenants. Ms. Askins also stated the stairs were a bargain, and that she felt all the nice things she put in the home would help the price if it had to be auctioned.



Exhibit 9

- Ms. Askins prepared and issued to her daughter, an LTD check totaling \$2,096, dated October 7, 2011. The invoice, apparently prepared by Wendy Askins, indicated the payment was for “respite” care. The documentation indicated that Ms. Askins’ daughter was paid for 8 to 11 hours a night, between the hours of 7 p.m. to 7 a.m., during September and October 2011. A signature stamp was apparently used to place the name of the former deputy director on the documentation. The former deputy director told Comptroller investigators that Ms. Askins had a stamp with his signature and that he never used that stamp. The check payable to Ms. Askins’ daughter was endorsed on the back by Ms. Askins.

Section 48-58-403, *Tennessee Code Annotated*, requires that not-for-profit officers with discretionary authority act with the care an ordinarily prudent person in a like position would exercise under similar circumstances. *Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee*, Section 6-1, states:

The objectives of internal control systems used in administering financial assistance programs are to provide management with reasonable, but not absolute, assurance that, in your organization’s

program: (1) resource use is consistent with laws, regulations, and policies; (2) resources are safeguarded against waste, loss, and misuse;...

RECOMMENDATION:

Members of the board of directors should exercise their fiduciary duty to ensure that all transactions serve a public purpose and benefit the respective agency.

2. **FINDING:** **UCDD payment to LTD not approved by board**

On March 24, 2010, Ms. Askins transferred \$300,000 from UCDD to the CRDC, which in turn transferred \$285,000 to the Living the Dream project, without authority of the board of directors. As noted in Investigative Finding 3, Ms. Askins directed employees to alter minutes to indicate the necessary approval had been obtained.

Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee, page 2-1, states that the accounting system should establish controls that provide management with reasonable assurance that assets are safeguarded against unauthorized use or disposition, and that transactions are recorded properly and executed in accordance with management's authorization.

RECOMMENDATION:

The board of directors should ensure that management recognizes the necessity of prior board approval for applicable transactions.

3. **FINDING:** **Inadequate oversight of reimbursements to former executive director**

Members of the board of directors failed to exercise adequate oversight of the former executive director's travel and expense reimbursement requests. During the period July 2009 through December 2011, these reimbursements totaled \$144,116. Documentation was inadequate, in many instances, to determine whether the expenses for which the former executive director requested and received reimbursement were for agency or for personal benefit. However, as noted in Investigative Finding 2, Comptroller investigators did identify several personal expenses for which Ms. Askins was reimbursed. She was also reimbursed from the LTD bank account for certain items that had questionable benefit for the component entity's purposes, including dog food and energy drinks. In addition, in at least one instance, Ms. Askins received excess reimbursement of \$547 due to a mathematical error on her claim.

RECOMMENDATION:

The board should limit reimbursements to legitimate agency travel, and prohibit the practice of reimbursing employees for purchases that should have been made directly by the agency. To reduce the risk of inappropriate reimbursements, board approval should be required prior to payment of any expenses submitted by the executive director or other senior-level management personnel.

4. **FINDING:** **Meals on Wheels payment to LTD**

Ms. Askins endorsed and deposited a \$1,356 check, specifically donated for the Meals on Wheels program, into the Living the Dream operating bank account.

RECOMMENDATION:

Care should be taken to ensure that all donated funds are used for the program the donor intended.

5. **FINDING:** **Failure to adequately account for personal use by employees of district vehicles and fuel**

The board of directors failed to approve a comprehensive vehicle use policy, even though some UCDD employees use district vehicles, as well as fuel purchased with UCDD funds, for their personal benefit. Records indicate that employees used district vehicles and fuel cards while on leave status and on weekends. The district had no comprehensive vehicle use policy and did not prohibit personal use of district vehicles.

Personal use of an employer-provided vehicle is considered a taxable fringe benefit. IRS *Publication 15-B* discusses methods that may be used, depending on the circumstances, when calculating the value of the taxable fringe benefit. In addition, IRS rules require that fuel provided by the employer for an employee's personal use also be included as a taxable fringe benefit. Although employees with take-home vehicles did have some value recognized as compensation for tax purposes, the value was not calculated in accordance with IRS guidance requirements.

RECOMMENDATION:

Members of the board of directors should develop and enforce a comprehensive written vehicle use policy. In addition, the fringe benefit received by employees for personal use of UCDD vehicles should be correctly calculated and appropriately reported on the employees' W-2s.

6. **FINDING:** All agency vehicles not identified as publicly funded property

Most district passenger vehicles did not have a district emblem or other marking plainly and clearly signifying they were publicly funded property. Clearly identifying district vehicles reduces the risk that employees and officials will misuse this public property.

RECOMMENDATION:

Members of the board of directors should require and ensure that district vehicles are clearly marked with an emblem or other marking to identify them as publicly funded property.

7. **FINDING:** Disbursements for costly meals, alcoholic beverages, and other “luxury” services and items did not appear to further governmental or public purposes

The investigative audit identified UCDD funds used for costly meals, [Exhibit 10] alcoholic beverages, [Exhibit 11] and entertainment that did not appear to further the public and governmental purpose of the agency. In many instances, detailed invoices for the meals were not located in UCDD files. For the 2010 annual meeting, Ms. Askins spent UCDD funds totaling over \$6,300 for a catered meal and rental of a local winery, to accommodate up to 140 guests, including the board members. UCDD also paid to have some vehicles “detailed” at a cost of \$70 each. The investigation also revealed that in August 2011, Ms. Askins issued a UCDD check to pay \$2,000 for a 3-D capable computer and \$99 for 3-D glasses.

Exhibit 10

CHECK # 449699	DATE 2/06/12
TABLE # 449699	TIME 3:34PM
***** DUPLICATE CHECK *****	

COCKTAIL : BQT7	
ITEMS ORDERED	AMOUNT
1 D-CLAM STEAMERS	12.95
1 D-OYS 1/2 DZ	8.95
1 D-ADD LOBS- TAIL	16.95
1 D-CRAB CAKES	25.95
2 D-FETT BAY	35.90
2 D-FILET 5OZ	55.90
2 D-WHITE RICE	7.90
2 D-ORZO RICE	7.90
2 D-PAN RST MUSHRM	11.90
1 D-GRUYERE POTATO	4.95
1 D-BRULEE	6.95
1 FOUNTAIN SODA	2.75
3 CROWN	25.50
1 SP-SANGRIA	8.95

SUBTOTAL	233.40
SERVICE	46.68
TAX	25.21

TOTAL DUE	305.29

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1-27-10 PRT	
Server: ALI	01/27/2010
T 11*13*15/1	8:11 PM
Guests: 32	40025
Reprint #: 1	
Michelob Ultra (\$ @4.00)	20.00
Bud Light Bottle (2 @3.75)	7.50
Blue Moon Big	4.75
House Merlot (2 @4.50)	9.00
Crown Royal (9 @7.00)	63.00
Black & Tan Big (2 @4.75)	9.50
Chips & Queso (2 @5.99)	11.98
Chili Queso (2 @6.49)	12.98
Pepperoni slice (3 @5.99)	17.97
Yazoo Dos Perros BIG	4.50
Coke	1.75
Space Club (2 @7.99)	15.98
Bratwurst Plate	8.99
Brat on Bun (2 @6.89)	13.78
Cheese Fries	5.99
Bacon	0.50
Hot wings	7.99
Mud Island Cake	5.79
Black&Tan	4.75
MH Howl	4.50
Brewery Glass	1.00
Subtotal	232.20
Tax	9.68
Total	241.88
AMEX #XXXXXXXXXXXX1003	241.88
Tip	35.00
Total	276.88
Auth:548156	
If you pay with DEBIT card,	
YOUR bank could hold 20% or	
more as a temporary pending	
charge. This is NOT the policy	
of the Flying Saucer. Thanks!	
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--- Check closed ---	

Exhibit 11

RECOMMENDATION:

Members of the board of directors should ensure that all disbursements further a governmental or public purpose. In addition, the board should develop and enforce a comprehensive written policy that clearly prohibits the purchase of alcohol with district funds.

8. **FINDING:** **Failure to adequately account for use of district-provided cell phones**

UCDD management failed to adequately control use of district-provided cell phones. The agency had no comprehensive mobile communication device policy. UCDD employee cell phone bills frequently had added fees for such services as premium texts, music downloads, and “ring back” tones. For example, records indicated that former executive director, Wendy Askins, incurred excess charges totaling \$602 during calendar year 2011. Ms. Askins advised Comptroller investigators that she was unaware of these charges. There is no documentation to indicate that these excess fees benefited the district. When Ms. Askins and her daughter left employment with the district, they did not return their district cell phones which had cost the district at least \$433. For the calendar year 2011, the agency paid usage costs and fees totaling \$66,213 for the 45 cell phones it provided to employees.

RECOMMENDATION:

Members of the board of directors should develop a comprehensive written cell phone policy that, among other things, prohibits personal use of the devices and prohibits nonessential charges, such as premium texting and music downloads. In addition, the policy should detail which employees, based on the needs of the district, be provided a district-paid cell phone.

9. **FINDING:** **Lack of adequate documentation for credit card charges**

As noted above, agency files did not contain adequate documentation for many charges to the agency credit card. In many instances, the receipt showing itemized restaurant charges was not included in agency records. Instead, only the nonitemized, signed charge slip was included in the files. In addition, written explanations for charges were not always available to document the charge was for a UCDD public or governmental purpose.

Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee, Section 5-1, states:

You will need to maintain four types of records: (1) written policies and procedures such as personnel policies, travel policies, and purchasing policies; (2) supporting documentation such as

prenumbered receipts, canceled checks, time sheets, invoices, and contracts, which support the books of account;...

RECOMMENDATION:

District management should ensure that all credit card purchases are documented by itemized receipts and written explanations setting forth the district purpose of the expenditure. Meal purchases in particular should be supported by itemized receipts that clearly indicate who participated in the meals and the benefit to the district.

10. **FINDING:** **Preferential treatment given to LTD residents and a private company owned by former executive director**

The former executive director gave preferential treatment to residents of LTD and to a company that she owned. In June 2010, Ms. Askins and her deputy director formed a for-profit corporation, LA Management, ostensibly to provide certain services primarily to elderly residents of the Upper Cumberland region. Funding for these services was limited, and eligible clients were to be chosen from a waiting list. However, Ms. Askins directed that the LTD⁴ residents receive services immediately. The invoices submitted by LA Management appeared to have been prepared by Ms. Askins. Although neither the former executive director nor her deputy received any payments from LA Management, the company was allowed to use the LTD address as its corporate address.

RECOMMENDATION:

To remove any appearance of conflict of interest, the board should prohibit management from contracting with companies they own. The board should also ensure that preferential treatment is not given to any clients. Additionally, the board should ensure that UCDD staff members adhere to all eligibility rules, including the order in which services are provided.

⁴ LA Management served residents of LTD almost exclusively.